

# ANALYSIS OF ORIGINAL BILL

## Franchise Tax Board

Author: Richman Analyst: Darrine Distefano Bill Number: AB 1816  
Related Bills: See Legislative History Telephone: 845-6458 Introduced Date: 01-16-2002  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Medi-Cal Healthy Families Program/Allow County to Access State Agency Information Regarding Income

### SUMMARY

This bill would require the Managed Risk Medical Insurance Board (MRMIB) and counties to verify the income of applicants for enrollment in the Healthy Families Program or the Medi-Cal program.

This analysis addresses this bill only to the extent it impacts the Franchise Tax Board.

### PURPOSE OF THE BILL

It appears the intent of this bill is to develop a simple process for families to enroll in the Medi-Cal program or Healthy Families Program. Applicants would authorize MRMIB to access income information at initial enrollment and for annual renewal, instead of providing separate written statements of income verification.

### EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2003, and would apply to taxable years beginning on or after that date.

### POSITION

Pending.

### ANALYSIS

#### FEDERAL/STATE LAW

Current federal law provides that returns and tax information are confidential and may not be disclosed to federal or state agencies or employees except for authorized purposes. Agencies allowed access to federal return information include certain federal and state agencies, such as FTB.

Current state law prohibits the disclosure of any taxpayer information unless authorized by statute. California law permits FTB to release individual tax return information to specific state agencies. Agencies must have a reason for requesting the information, including investigating items of income disclosed on any return or report, verifying eligibility for public assistance, locating absent parents to collect child support, or locating abducted children. For some agencies, only limited information may be released, such as the taxpayer's social security number and address.

Board Position:

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<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Alan Hunter for GHG

04/22/02

Any FTB employee or member responsible for the improper disclosure of state tax information is subject to criminal prosecution. This includes any person or agency that FTB is required to share state tax information with statutorily. Improper disclosure of state tax information is a misdemeanor.

Under federal and state laws, individuals with income less than the filing thresholds are not required to file an income tax return since the standard deduction and personal exemption would eliminate any tax liability. For 2001, the state filing thresholds are \$11,901 in gross income or \$9,521 in adjusted gross income (AGI) for single taxpayers and \$23,803 in gross income or \$19,042 in AGI for married filing joint taxpayers. These thresholds are increased based on the number of dependents (e.g., for married filing joint with two dependents the threshold is \$38,211 in gross income). These thresholds are indexed annually for inflation.

Under authority of current law, FTB provides the Department of Health Services (DHS) certain income tax return information on applicants who are requesting public assistance or public health services. The information is limited to the following: filing status, number of dependents, AGI, and total tax liability. Consent of the applicant is not required.

### THIS BILL

This bill would establish procedures to permit applicants for the Medi-Cal program or the Healthy Families Program to avoid the requirement of submitting independent documentation to both the MRMIB and the counties to verify income statements. If an applicant chooses to avail themselves of this process, they, or a family or household member if requested by MRMIB, would be required to provide written consent to the MRMIB and the counties to access income records in state and local databases.

This bill would also require MRMIB and the counties to develop and implement procedures that would provide income information from state and local data bases. Any information obtained by MRMIB or the counties would be used strictly for determining eligibility for the Medi-Cal program or the Healthy Families Program and would be confidential.

This bill would require state and local agencies to supply the information requested by the MRMIB or the county.

### IMPLEMENTATION CONSIDERATIONS

Part of the criteria to qualify for eligibility in the Healthy Families Program requires the applicant to have an annual or monthly household income equal to or less than 250% of the federal poverty level (\$36,576 for a family of three). Most of these taxpayers do not have a state income tax filing requirement; therefore, FTB would not be able to effectively respond to many of these requests.

The bill allows MRMIB and the counties to access a state and local data base without an applicant's consent but does not provide an adequate statutory basis for the department to supply the income-related information to MRMIB and the counties. FTB may disclose taxpayer information only in limited circumstances and only to specific agencies as authorized by law. Also, since the bill requires both the MRMIB and the counties to verify an applicant's income, it would increase the department's workload to manage requests from so many different organizations.

DHS reimburses FTB for the workload it incurs to provide information; the current contract limits the maximum reimbursement at \$1,000 per year. If a substantial number of applicants consent to the disclosure of income information, it might be appropriate to require an inter-agency contract between MRMIB and the counties to reimburse the department's costs. If not, FTB would be required to absorb these costs.

## **LEGISLATIVE HISTORY**

AB 2877 (Stats. 2000, Ch. 93) requires the MRMIB and the Department of Health Services to develop options for streamlined processes for establishing eligibility for the Medi-Cal program and Healthy Families Program.

AB 1807 (Richman, 2001/2002) would allow an agency or entity to verify income information from state and local agencies on an individual that has applied to participate in the Healthy Families Program or the Medi-Cal program. This bill is currently in the Assembly Health Committee.

## **HEALTHY FAMILIES PROGRAM BACKGROUND**

The Healthy Families Program is a state and federally funded program that provides low-cost health, dental, and vision insurance coverage to children who do not have insurance and do not qualify for Medi-Cal.

California implemented the Healthy Families Program on July 1, 1998. Initially, coverage was limited to uninsured children with family incomes above Medi-Cal levels and below 200% of the federal poverty level (FPL). In November of 1999, eligibility for the Healthy Families Program was expanded to 250% of the FPL (\$36,576 for a family of three). The FPL percentage and income amount has not changed since 1999.

## **MEDI-CAL PROGRAM BACKGROUND**

In 1965, the federal government created the national Medicaid program. DHS administers California's Medicaid program, Medi-Cal. The program provides health care coverage to poor and low-income families and specific individuals who lack health insurance at no cost to the insured.

The Medi-Cal program has evolved into a complex network of public and private health care providers serving approximately 16% of the state's population, and has the largest number of beneficiaries of any Medicaid program in the country.<sup>1</sup>

## **OTHER STATES' INFORMATION**

*Massachusetts'* Division of Medial Assistance, that administers the Mass Health Program for low-and medium- income individuals and families, initiates a match program with several state agencies to verify the information an applicant has provided on the Medical Benefit Request form. Some of the agencies include: the Department of Employment and Training, Department of Revenue, Internal Revenue Service, Social Security Administration and the Department of Transitional Assistance.

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<sup>1</sup> Excerpt from the "Description of Medi-Cal for Children (MCC)" in the *Streamlining Application and Enrollment for the Healthy Families Program and Medi-Cal Program for Children Report*, June 2001.

*New York's* State Department of Health verifies all financial assets and resources provided by an applicant/recipient on the application and in a personal interview to determine eligibility for low- to no-cost health care benefits. The Department relies on the applicant to provide documentation of their eligibility. If the applicant/recipient cannot, the Department will investigate records provided by other state agencies only with the applicant's/recipient's permission.

The laws of these states were reviewed because its tax laws are similar to California's income tax laws.

### **FISCAL IMPACT**

The department's costs to administer this bill cannot be determined until the implementation concerns have been resolved, but the costs could be significant depending on the number of requests received. Also, the department's costs would be significantly higher if each county makes the requests, rather than having DHS and/or MRMIB coordinate the program.

### **ECONOMIC IMPACT**

This bill would not impact the state's income tax revenue.

### **LEGISLATIVE STAFF CONTACT**

Darrine Distefano  
Franchise Tax Board  
845-6458

Brian Putler  
Franchise Tax Board  
845-6333